

~~TOP SECRET~~

~~CONFIDENTIAL~~

MEMORANDUM FOR: Admiral Souers, Executive Secretary
National Security Council

SUBJECT: Evaluation of Soviet Economic Data

REFERENCES: a. Your memorandum of 29 March 1949
b. Letter to Admiral Souers from Dr. Clark,
dated 22 March 1949

ENCLOSURES: A. Draft letter from Admiral Souers to Dr. Clark
(Confidential)
B. Central Intelligence Sources Used to Evaluate
Soviet Economic Data (Top Secret)

1. Enclosure A is forwarded in response to reference a.
Enclosure B is submitted for your information and such use as
you may desire to make of it.

2. Dr. Clark's query is, of course, a very broad one and a
government-wide investigation would be necessary to give it
exhaustive treatment. He is concerned with an important matter,
and you may well wish to have other government agencies report to
you on their methods for evaluating Soviet statistics, or the use
to which these statistics are later put by policy-makers.

3. The Office of Intelligence Research, Department of State,
has informally indicated that it considers Enclosure B a good
summary of sources, though State reliance on any specific source,
in view of its special responsibilities, might well vary from that
of CIA.

25X1A9a ORE:G/SI: [REDACTED] /ew

Distribution:

Director's File (1)
AD/R&E (1)
Central Records (1)
B/EE (1)
G/SI

Document No. 001

NO CHANGE in Class. ☐

☐ DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 15/11/77 By: 011

~~CONFIDENTIAL~~

~~TOP SECRET~~

~~TOP SECRET~~

DRAFT

The Honorable John D. Clark
Council of Economic Advisers
Washington, D. C.

Dear Mr. Clark:

I am now able to reply in some detail to your letter of March 22 concerning our evaluation of Soviet economic strength. Inasmuch as the Central Intelligence Agency is the intelligence organ of the National Security Council, the following remarks pertain particularly to the evaluation of Soviet economic intelligence in that office. At the outset I think I can assure you that the estimates which CIA has produced in this field are made with the greatest care. Where an irreducible doubt has persisted in estimates prepared for planning purposes, CIA has, as a matter of policy, presented the higher figure in order to avoid the danger of underestimating the economic strength of the USSR. This, however, has little practical effect on final evaluations.

There are a number of important considerations in determining Soviet economic strength. The development of Soviet power under a completely state-controlled economy in no way "requires us to abandon our faith in the superior productivity of our system of free enterprise." In terms of total capacity, total production and productivity the US far surpasses the USSR. However, the Soviet leaders through the State Planning Commission have established the development of military potential as the primary task of the economy. The formidable strength of the USSR today rests not so much on its productivity as on the goals toward which the factors of production are directed. Direct military production; preparation of other segments of the economy for immediate conversion to war-time production; development of relatively self-sufficient and strategically located industrial areas; and stockpiling represent a considerably higher percentage of the over-all economic effort than they do in the United States. In addition, capital goods production receives relatively much greater emphasis as opposed to consumers goods than it does in the US.

Direct government control over all phases of the economy (the utilization of raw materials, machinery and equipment, transportation and finished products as well as indisputable control over the tremendous manpower of the USSR), provides a large measure of flexibility in the effective accomplishment of a limited number of high priority plans.

~~TOP SECRET~~

~~TOP SECRET~~

It is this special emphasis on military preparedness at the immediate expense of the civilian consumer that is the basis of Soviet strength as it is derived from the economy. Control of the Satellite economies is also being employed with this objective in view.

The analysts in CIA share your reluctance to accept official Soviet figures without qualification, but feel that when these data are carefully checked against additional sources in which CIA has the greatest confidence, they prove to be of real value. These additional sources include intelligence documents captured from former enemies, former members of Soviet and Satellite governments, Soviet personnel who have defected, former enemies who were prisoners of war in the USSR, private US individuals who have travelled in the USSR, CIA special agents, US officials who have travelled extensively in the USSR, [REDACTED], reports 25X1X7 from State, Army, Navy, and Air representatives in Moscow, other US government agencies, UN publications, foreign broadcasts, and non-official publications in the US. These sources are in turn evaluated and analyzed by men with long experience in industry, agriculture, banking, and economics, and by men who have had long residence and wide travel throughout the USSR.

In short, I have complete confidence that the coordinated intelligence produced as a basis for planning is as reliable as it is humanly possible to produce.

Sincerely,

SIDNEY W. SOUERS
Executive Secretary

~~TOP SECRET~~

Central Intelligence Sources Used to Evaluate Soviet Economic Data

In addition to official Soviet information (in the press, and in industrial, agricultural and economic books and periodicals) CIA utilizes the following sources in the determination of Soviet economic conditions:

a. Captured German Intelligence Documents.

These papers are a comprehensive and detailed study of the prewar Soviet economy derived largely from first-hand observation. Plant information is especially useful. This material often provides the base for estimating present production figures, capacities and product manufacture and aids in confirming reports received from other sources. It must, however, be carefully evaluated.

b. Japanese Intelligence Estimates.

These include prewar studies of certain industrial segments of the USSR. Some of these studies are particularly good on the Soviet Far East. Industrial plant information is often detailed and often gives a base for estimating present capacities, but over-all industrial data is not always comprehensive. In addition, certain Japanese commercial companies made reports direct to the Japanese Government which are also useful as background information.

c. Former Members of the Soviet and Satellite Hierarchy.

These individuals are extremely useful for their broad knowledge of an industry or group of industries. In addition, they understand the statistical and accounting methods employed and the degree of accuracy of information released through the press and other official channels. Careful questioning or critical evaluation of reports is essential to determine whether the source has an understanding of the industry and whether or not he has strong prejudices.

d. Soviet Defectees (Soldiers, Factory Workers, Engineers, Technical Personnel, Managers, etc.).

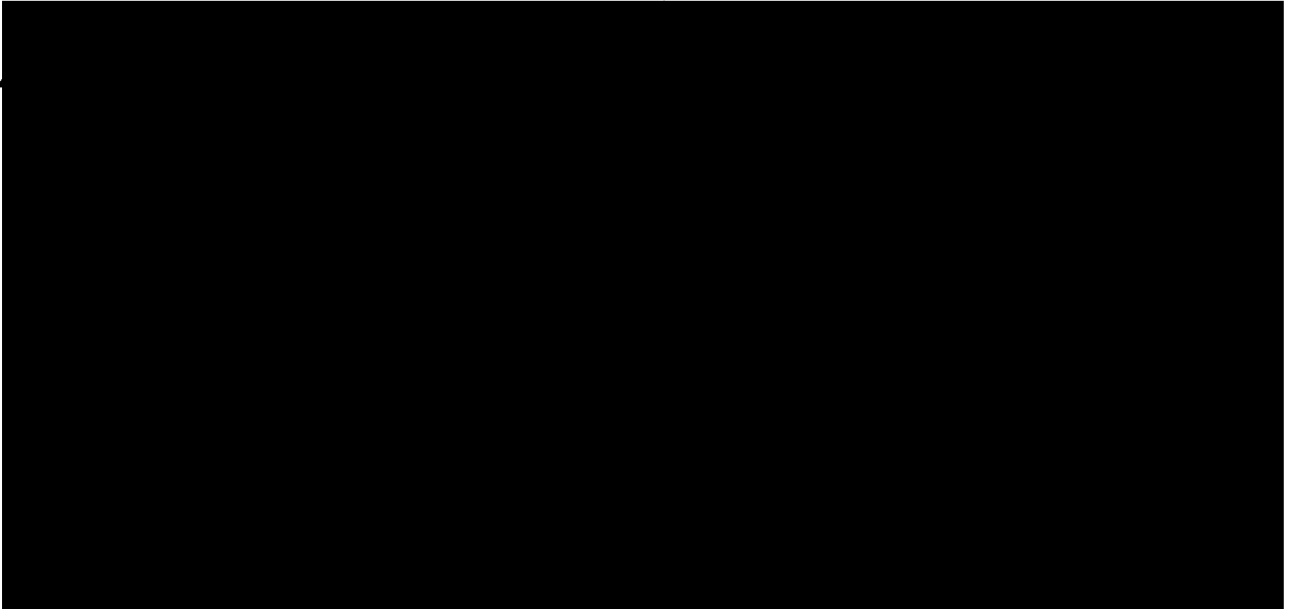
Data obtained from these persons is extremely valuable current first-hand information on the detailed operation and potentialities of some phases of the Soviet economy, providing both additional information and confirmation of material previously acquired. Such data must be scrutinized, however, for bias and inaccurate generalizations.

~~TOP SECRET~~

e. Germans and Japanese, formerly Prisoners of War in the USSR.


Information from this source is useful in spotting industrial installations, railroad facilities, crops, labor conditions, etc., but, again, all source data must be critically evaluated and analyzed in the light of the source's background and prejudices.

25X1X4

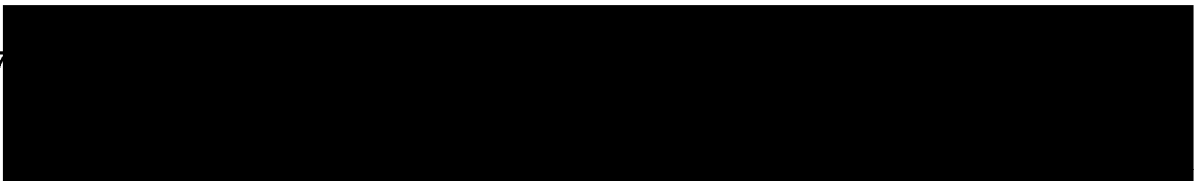


h. US Officials Who Have Traveled Extensively in the USSR (State, Army, Navy, and Air Representatives in Moscow and the Port Areas, Members of Special Missions).

25X1X4

When the individual reporting has special qualifications in a particular line  his reports are particularly useful in confirming information from other sources and in filling in blind spots. Broad observations are valuable in analyzing general economic conditions.

25X1X7



i. Reports of State, Army, Navy, and Air from Moscow.

These reports are based both on published material and the travels and observations of US representatives. The advantage of being close to the scene for a long period of time is useful in interpretation of events and the analysis of published data.

~~TOP SECRET~~

~~CONFIDENTIAL~~

25X1X4

1. Other US Agencies (Intelligence Divisions of State, Army, Navy, and Air, Bureau of Mines, Office of International Trade (Commerce), etc.

These agencies prepare estimates on the USSR which are particularly valuable in re-evaluating the conclusions of this office. Bi-monthly conferences are held with other economic intelligence offices and papers are coordinated with these agencies prior to publication.

- m. ECA and ECE.

These organizations prepare consolidated reports on the basis of special reports compiled by foreign nationals.

- n. UN Publications.

Information from this source is often a repetition of official data. Its value is its interpretation by experienced international economists; however, it cannot, of course, be unqualifiedly accepted.

- o. Foreign Broadcasts.

This material is largely of an official nature but is useful check on current developments.

- p. Publications in the US re the USSR.

These publications are written by men who are specialists in certain lines. Unfortunately, in the last analysis, much of their material is derived from official Soviet sources, but a large part is the result of actual experiences of the writer in the USSR. Practically all of this material must be analyzed with an eye to the background and proclivities of the writer.

- 3 -

~~CONFIDENTIAL~~

~~TOP SECRET~~